INSIDE: "Marketing to Blacks" Restaurant Research

Incentive Marketing

FEBRUARY 1986

1986 RESOURCE GUIDE

A BILL PUBLICATIO

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February 1986

81st Year, Vol. 160
Number 2, ISSN-0019-3364

Cover Photo
Fred Slavin

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Incentive Marketing (USPS 910-960) is published monthly by Bill Communications Inc., 633 Third Ave., New York, N.Y. 10017. Subscriptions: US/Canada: $32, Foreign: $45, Single Copies: $3, November Facts Issue: $15. Copyright 1985 by Bill Communications Inc., all rights reserved. Postmaster: Send change of address to INCENTIVE MARKETING, Circulation Dept., 633 Third Ave., New York, N.Y. 10017. Second Class postage paid at New York, N.Y. and at additional mailing offices.

Promotion Overview

Overall incentive spending rose 7.9 percent in 1985 as marketers began the year on an optimistic note.

Over the years, **Incentive Marketing** surveys have revealed a correlation between economic conditions and incentive expenditures. The link once again was evident during 1985, as marketers started off the year optimistic about marketing expenditures but grew increasingly conservative as the year wore on and economic growth indicators abated. Overall incentive spending in 1985 rose 7.9 percent to $12.8 billion from $11.8 billion the year before, when a gain of 13.3 percent was recorded.

Still, gains of incentive usage last year look respectable in light of an annual inflation rate of under 4 percent.

Consumer promotions

The largest segment of the field, consumer promotions, grew by 7.4 percent last year to $6.1 billion from $5.7 billion the year before. A survey conducted in early 1985 indicated that expenditures might grow by as much as 15 percent, but enthusiasm dropped as the year continued.

Spending increases in consumer premium offers by manufacturers and distributors outpaced spending gains by retailers—8.3 percent against 6.1 percent. The retail category was slowed by a decline in trading stamp volume for the first time since 1975. However, retailers spent 9.8 percent more on non-stamp promotions.

Of the two largest product promotion types, direct premiums showed the greater increase, up 9.1 percent over 1984. Mail-in offers are estimated to have grown by 7.5 percent last year. In the mail-in category, marketers put particular stress on sweepstakes and free mail-in offers. There appears to have been heavy use of items with high-perceived value and low cost, such as recipe books, calendars, records, tapes, health-club memberships, newspaper subscriptions, etc.

The building materials industry showed the most aggressive increase in consumer promotion last year, with strong growth also shown by the detergent and cleanser category as well as distributors and wholesalers.

Sales motivation

Spending on sales motivation passed a milestone last year, topping $3 billion. However, early in-

THE INCENTIVE FIELD AT A GLANCE

	1984 EXPENDITURES	% CHANGE	1985 EXPENDITURES	% CHANGE
	(ALL FIGURES IN THOUSANDS—"000" OMITTED)			
SALES INCENTIVES	$2,984,320	19.9	$3,264,679	9.4
Merchandise	2,260,834	19.5	2,468,214	9.2
Travel	723,486	21.3	796,465	10.1
DEALER INCENTIVES	$2,045,792	12.2	$2,228,063	8.9
Merchandise	1,345,576	11.4	1,456,672	8.3
Travel	700,216	13.8	771,391	10.2
MERCHANDISE TOTAL	$3,606,410	16.3	$3,924,886	8.8
TRAVEL TOTAL	$1,423,702	17.5	$1,567,856	10.1
TRADE TOTAL	$5,030,112	16.6	$5,492,742	9.2
BUSINESS GIFTS	$1,122,164	8.5	$1,179,502	5.1
CONSUMER PREMIUMS				
Product Promotion	$3,352,402	11.4	$3,629,492	8.3
• Mail-in Offers	1,700,310	11.5	1,827,436	7.5
• Direct Premiums	1,652,092	11.2	1,802,056	9.1
Retail Promotion	$2,326,000	11.6	$2,468,500	6.1
• Trading Stamps	554,000	4.5	522,000	-5.8
• Other Retail Premiums	1,772,000	14.0	1,946,500	9.8
CONSUMER TOTAL	$5,678,402	11.5	$6,097,992	7.4
TOTAL USAGE	**$11,830,678**	**13.3**	**$12,770,236**	**7.9**

dications that the field would show double-digit growth in 1985 did not pan out, with the final tally coming in at about a 9.4-percent increase.

Merchandise continues to account for the lion's share of award expenditures, representing 76 percent of the total. Marketers spent 9.2 percent more on merchandise last year over 1984, and 10.1 percent more for travel.

In keeping with the apparent growth in promotional spending in the building materials industry, this category showed the strongest growth in sales motivation, up 11.7 percent. Also strong last year were: electronics, radio and television, up 10.6 percent; machinery and supplies, up 11.2 percent; and publishers, printers and broadcasters, up 10.8 percent.

Despite a slower economy, sales incentive users reported relatively strong sales increases of 18 percent as a result of their motivation campaigns. This is down from 20.1 percent in 1984. It appears that fewer salespeople qualified for awards last year, with 40-percent overall qualification reported last year against 44 percent in the prior year. Forty-seven percent qualified for merchandise awards, against 29 percent for travel.

Costs of campaigns fell last year to 8 percent of incremental sales from 9 percent last year.

TOTAL DOLLAR VOLUME OF INCENTIVE USAGE

(ALL FIGURES IN THOUSANDS — 000 OMITTED)

1985	$12,770,236,000	1975	$ 4,236,305,000
1984	$11,830,678,000	1974	$ 4,829,964,000
1983	$10,440,117,000	1973	$ 5,023,184,000
1982	$ 9,779,217,000	1972	$ 4,649,653,000
1981	$ 9,361,510,000	1971	$ 4,222,505,000
1980	$ 8,664,251,000	1970	$ 3,793,000,000
1979	$ 7,636,138,000	1969	$ 3,772,000,000
1978	$ 6,719,687,000	1968	$ 3,598,000,000
1977	$ 5,841,575,000	1967	$ 3,218,000,000
1976	$ 5,026,535,000		

Source: IM surveys 1967-1985

Dealer motivation

Promotions for dealers remained strong last year but dipped somewhat from 1984 activity, when expenditures rose 12.2 percent. Last year's 8.9-percent gain well exceeded inflation but did not live up to optimism detected early last year in initial survey returns.

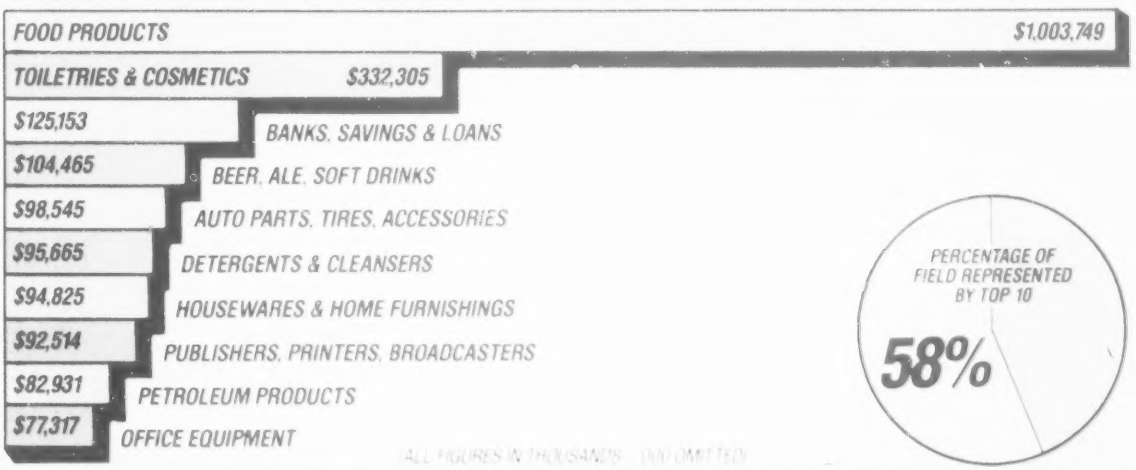
Contrary to the pattern in sales motivation, dealer programs registered an increase in sales results, with the average promotion yielding an 18.7-percent gain as opposed to 16.9 percent the year before. This category had a much higher qualification rate than in the sales motivation field, with 52 percent earning awards last year.

Also, the average dealer program cost 13 percent of incremental sales.

On average, dealer motivation users spent $162 for merchandise, up sharply from the $125 spent in the previous year. For travel, they spent an average of $1,890 per recipient, up from $1,748.

More than two-thirds of respondents last year said they had increased dealer motivation spending over 1984 levels. ■

TOP 10 CONSUMER PREMIUM USERS (1985)



(ALL FIGURES IN THOUSANDS — 000 OMITTED)